The Big Deal

Why the battle for IKEA’s new Atlantic Canada store was over before it started

By Stephen Kimber
Glenn Munro was apologetic. I’d been calling and emailing him to follow up on January’s announcement that IKEA — the iconic Swedish furniture retailer with 370 stores and $46.6 billion in sales worldwide last year — would build a gigantic (for us at least) $100-million, 328,000-square-foot retail store in Dartmouth Crossing. He hadn’t responded.

I wanted to know how and why IKEA had settled on Halifax and not, say, Moncton as the site for the first of a dozen new Canadian stores it plans to open over the next decade. Munro, the Montreal-based vice president of both Dartmouth Crossing Ltd. and its parent North American Development Group, seemed like the right person to ask.

“It’s been my baby since day one,” he’d happily told CBC TV Nova Scotia host Bob Murphy the day IKEA announced its plans.

Now he wasn’t so eager to talk; perhaps famously secretive—for-the-sake-of-being-secret IKEA had clamped a lid on even friendly outsiders making un-vetted comments about corporate business. Munro offered instead to put me in touch with someone at IKEA who’d been involved in the locating process, who would “probably” pass me along to the corporate public relations department. That someone did.

While I waited for answers to my questions, I did some due diligence of my own.

Dartmouth Crossing is what’s known as a “power centre,” which is what folks who know call those sprawling, open-air destination shopping “cities” that have become our twenty-first-century shopping centres. Power centres are usually anchored by three or more standalone big box stores, sprinkled among any number of multi-specialty-tenant buildings and awash in acres of free parking.

The power centre that is Dartmouth Crossing has been pushing out and up from the edge of Nova Scotia Highway 118 for close to a decade. It is not only located conveniently cheek by jowl to 400,000 or so potential consumers in the Halifax area, but it’s also in the crosshairs of a web of major highways that lead to and from every populated nook and cranny in Nova Scotia, not to forget New Brunswick and Prince Edward Island, making it a potential shopping destination for close to two million Maritimers.

No wonder its 500-acre site already boasts 1.3 million square feet of shopaholic heaven with over 100 retailers and services, including five of those anchor-type destinations: Walmart, Home Depot, Costco, Canadian Tire and Cineplex Cinemas.

All it needed was an IKEA.

By now, the IKEA creation story has morphed into myth: in 1947, Ingvar Kamprad, an eccentric, dyslexic 17-year-old Swedish farm boy, launched a mail-order company called IKEA. He’d invented the name using his initials and his home district. Soon after, he also invented the “flat pack” to more efficiently package and ship his modernist build-it-yourself furniture. In 1953, he opened his first store, then another and another, expanding into Norway and Denmark, then Europe and… the rest is history still in the making.

Now 90, Kamprad is guesstimated to rank somewhere between first and eleventh on your pick of world’s-richest lists. His wealth can only be estimated, however, since IKEA has a reputation for secrecy and for what are delicately described as “opaque business practices… operating with a web-like network of holding companies, owners, and subsidiaries.”

The Ministers of the European Parliament claim that was designed, in part at least, to avoid more than €1 billion in taxes over the past six years. In February, the ministers demanded an official investigation into the company’s tax practices.

None of that has slowed IKEA’s growth. Last year, it reported an 11.2 per cent increase in sales over the year before as it continued...
“growing in almost all our markets,” including in its two most rapidly expanding territories: China and Russia. The furniture retailer’s individual stores continue to get ever larger too: the current largest, near Seoul, South Korea, opened last year “with a sales space nearly as big as the Louvre museum.” Perhaps that’s understandable, given that the retailer stocks more than 12,000 sofas, beds, desks, kitchen faucets and assorted homely knickknacks.

Canadians buy a lot of them. In 2014-15, IKEA’s Canadian sales rose more than 10 per cent to $1.79 billion; online sales jumped 40 per cent.

One of Stefan Sjöstrand’s first assignments after he was appointed IKEA Canada’s president in 2014, in fact, was to “make IKEA more accessible for Canadians... When we really dug into it... we could see that the potential is here for us.” In November 2015, IKEA Canada announced it would open 12 new stores by 2025, doubling the number of its outlets here. “We are going to expand from coast to coast,” Sjöstrand declared. “We’re going to expand in new cities, and we’re going to expand in existing cities.”

Coast to coast? New cities? It was time to dream. Again.

IKEA’s January 22, 2016 announcement that it had decided to return to Halifax was not only a bigtime business brag for Dartmouth Crossing, but it also served as a long-sought personal vindication for many Halifax consumers.

“I got mail from the people living in Halifax, in Nova Scotia, asking us to open up a store in the area,” Sjöstrand explained at the news conference, “and I’m very thrilled to be able to make this announcement for the people living here.”

Why is IKEA such a big deal? Let’s start with “return.” In 1975, IKEA — by then already a household name in Europe, thanks to its stylish, low-cost,"
assemble-it-yourself furniture and quirkily iconoclastic marketing — decided to dip its toe in the North American retail market by opening its first modest retail operation in Dartmouth’s Burnside Industrial Park. The store was small but it was a huge success, attracting the city’s then-still-young, family-building, home-owning baby boomers and university students. For Haligonians, our brief moment as “North America’s only” became a matter of local pride. We have IKEA.

And then suddenly, IKEA was gone, shut down, shuttered, so long, hejdå. There was never much of an explanation from traditionally zipped-lips IKEA. There were hints the city had withdrawn a property tax rebate, but the more likely explanation was that Halifax simply wasn’t big enough for IKEA’s grandiose ambitions. Haligonians begged to differ. But that didn’t matter. After the closure, Atlantic Canadians — still eager to fill their homes with everything from Stocksund living room sofas to Godmorgon bathroom sinks and cabinets — had to buy online and pay for shipping, or travel to Montreal or Boston to get their furniture fix. Mike Smith, a Halifax entrepreneur, even created a booming boutique business called MyBoxBuyer.com, to pick up orders at Quebec IKEA outlets and deliver them to consumers in the Maritimes. At its peak, MyBoxBuyer had 20 employees shuffling between here and there.

Now, there will finally be an actual IKEA store in Halifax again. But why here? In Halifax? Why not in Moncton? Moncton, Halifax’s primary and sometimes bitter rival for regional commercial and economic supremacy, bills itself as the hub of the Maritimes. It has used its more central geographic location — not to forget its geographic proximity to Maine and its additional population of over one million people — to attract everything from big-name rock concerts and sporting events like last year’s FIFA Under-20 Women’s World Cup to transportation companies and international call centres. Two other big box stores — Cabela’s and Bass Pro Shop — are currently building Moncton outlets. Why not IKEA?

That was exactly the question local area councillor Andrew LeBlanc asked himself last November after Sjöstrand’s non-specific announcement of IKEA’s Canadian growth plans. “I know my wife really likes IKEA, and I like some of their stuff, and a lot of our friends do, and I thought this is a cool opportunity,” LeBlanc told Global News. “We have space here, we have developers who have land and we certainly could assist to bring IKEA in.” He immediately sat down and wrote a personal letter to Sjöstrand, touting Moncton’s charms and inviting the company to consider the area. When he posted his invitation online, more than 400 people signed on in support.

LeBlanc received a polite, but non-committal response from the company, “saying our letter would be sent along to the appropriate people for consideration.”

A month later, Sjöstrand, surrounded by beaming Halifax city officials — including Mayor Mike Savage, Deputy Mayor Matt Whitman, MLA Joachim Stroink, MP Darren Fisher and a host of other grinning councillors and local business lights — were cutting ribbons in Halifax.

The reality is that Moncton may have been nearly a decade late to the IKEA game. Which brings us back to Glenn Munro. Munro, the managing partner for Eastern Canada at North American Development, is responsible for development strategy for three million square feet of real estate in the Halifax and Montreal areas.

When North American opened its Carrefour de la Rive-Sud power centre in Boucherville on the outskirts of Montreal in 2003, IKEA was one of its big box anchor tenants.

“It was just a question of time,” Munro told the CBC. “We’ve been talking with them since [Boucherville], on and off and they said, when we’re ready, we’ll come and talk to you.”
Two years later, when North American first pitched the idea of Dartmouth Crossing to Halifax city councillors, it dangled the possibility IKEA could be part of its retail mix.

At the time, however, IKEA was fully engaged elsewhere, developing a new IKEA in Winnipeg. The Winnipeg store was mildly controversial because the city and the province promised $18.5 million worth of infrastructure improvements to lure the retailer there. (For the record, Halifax city officials insist there were “no rebates, tax breaks or any other incentives” to entice IKEA to Halifax. And a provincial spokesperson adds it offered no “provincial incentives” either.)

“We have to do Winnipeg first,” IKEA officials advised Munro in 2007, “and, after Winnipeg, we’ll take a look, take a breather.”

By 2014 — breather taken and IKEA’s new president in office — negotiations “started to heat up.”

Munro was ready. “We spent more money than we needed to build [Dartmouth Crossing] right,” Munro told the Macdonald Report, a weekly feature publication of allnovascotia.com. “This was not a short-term play. We designed the park so some day in the future, when someone like IKEA decided to look at the market, there was no choice but to come to Dartmouth Crossing.”

It worked. Although IKEA did its due diligence — it also looked at a shuttered Rona store and an undeveloped 200-acre tract in Halifax’s Bayers Lake park, and probably considered Moncton sites too — it soon settled on the plot of Dartmouth Crossing land that had conveniently been held open for its arrival.

Deal done. Break out the IKEA Svalka champagne glasses. As one Halifax Twitter user tweeted: “IKEA coming to Halifax. Full store. Up yours Moncton!”

IKEA’s response to my questions? About the factors that go into deciding where it will locate an IKEA store? About the process that led to the decision to set up in Halifax? About whether there are studies that show the economic impact of an IKEA on a community? And so on…

Well, after an initial email saying the company would be “happy to help with what you may need,” no one from IKEA got back to me.

Did I mention IKEA is known for its secrecy? •

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